

TRADE IS ULTIMATELY ABOUT FREEDOM

by Donald L. Evans,
Secretary, U.S. Department of Commerce

The world has fundamentally changed. The end of the Cold War erased political divisions that barred the free flow of commerce. Rapid changes in transportation and telecommunications technology have opened up trading opportunities in every corner of the globe. At the same time, with American leadership, governments have reduced barriers to trade and investment. It is no coincidence, then, that the flow of goods, services and investment capital has expanded across borders and oceans.

Trade is ultimately about freedom in this changed world. Barriers to trade must be eliminated to allow America's farmers, entrepreneurs and workers to pursue their own economic destiny free from government interference. These barriers must also be eliminated to promote the social freedom and political stability that grow in the open marketplace. Progress on these fronts can best be made where the Congress and the Executive Branch work together in an atmosphere of trust and respect in pursuit of liberalized trade agreements. For that, President Bush must secure Trade Promotion Authority (TPA) from Capitol Hill.

The arguments for granting this authority are many and persuasive.

TRADE AND ECONOMIC PROSPERITY

America has always been a trading state, and, in purely economic terms, it is in our nation's best interest to pursue free markets. During the past 40 years, trade liberalization has been a key factor leading to our longest post-war period of economic growth. Exports accounted for nearly one-quarter of the economic growth we experienced during the past decade.

Since 1995, total private sector productivity in the United States has increased three percent a year. U.S. industrial production was 48 percent higher in 2000 than in 1990. And our goods and services exports have grown even faster than the U.S. economy, increasing more than seven percent a year since 1992.

It is no coincidence that much of this growth has occurred since the inception of the North American Free Trade Agreement (NAFTA). Last year, U.S. merchandise exports to Mexico were almost two times what they were in 1993, and exports from Mexico to the United States were up more than 200 percent.



Secretary Evans delivers remarks during the Global Internet Summit at George Mason University in March of this year.

Photo courtesy of the U.S. Department of Commerce.

Contrary to what opponents to the NAFTA accord said would happen when it went into effect, we have not had a net job loss. More than 20 million new jobs have been created in this country since the early 1990s. Today, an estimated 12 million U.S. jobs are supported by exports. One in every five manufacturing jobs is supported by exports. These are good jobs, paying up to 18 percent more than the national average. In the high-tech industry, jobs supported by exports have average hourly wages 34 percent higher than the national average.

Trade has extended its benefits throughout our economy. Most American workers are employed by small and medium-sized enterprises. It is these businesses – which account for nearly 98 percent of the growth in exporter population – that would be

amounting to between \$1,300 and \$2,000 a year for the average American family of four. This is especially welcome in the more needy families when you consider that tariffs are regressive taxes that fall hardest on the poor.

Recent studies suggest that if global trade barriers were cut by one-third, the world economy would increase by more than \$600 billion a year. That is equal to twice the combined value of the rice, corn and wheat that are produced and consumed worldwide in any given year. Eliminating all barriers would add nearly \$2 trillion to the global economy, the equivalent of creating a new economy the size of two Chinas.

Indeed, trade is an engine of economic growth, job creation, national

actions and the obligation to demand government policies that unleash human potential. Freedom is best served when governments promote individual success allowing people to provide for themselves and their families.

Human freedom is indivisible whether we are talking about economics or politics. That is why President Bush speaks of trade in the same terms as President Reagan did, as a “forward strategy for freedom,” and why he describes trade in terms of instilling the habits of freedom that are essential to both political liberty and economic well being.

When free men are working in free and open markets, political stability begins to weave itself through the social fabric. In this environment, democracy can take hold and become legitimate and

THE MOST SIGNIFICANT IMPACT THAT TRADE CAN HAVE ON LABOR AND THE ENVIRONMENT IS RAISING STANDARDS OF LIVING, PROMOTING GREATER FREEDOM AND GREATER SOCIAL RESPONSIBILITY FOR ALL CITIZENS.

among the major beneficiaries of future negotiations that further reduce foreign barriers to U.S. exports. America's farmers will also benefit greatly. One in three U.S. farm acres is planted for export, and 25 percent of gross farm income comes from exports.

Trade also enhances competitiveness. U.S. producers are provided with a wider choice of suppliers. Productivity, investment and economic growth are stimulated through greater competition and exposure to new ideas.

Furthermore, U.S. consumers have more choices at lower prices. Trade liberalization through the Uruguay Round that established the World Trade Organization (WTO) and the North American Free Trade Agreement has also resulted in higher incomes and lower prices — benefits

competitiveness and innovation, and this results in a higher standard of living for all. Liberalizing trade opportunities reflects an understanding that the genius of the market system is its reliance on human freedom — allowing each and every man and woman to pursue their economic destiny and to let them go as far as their dreams, talents and initiative can take them.

TRADE AND THE HABITS OF FREEDOM

Trade is, indeed, about improving the standard of living for Americans and for all mankind. But it is also about much more. Free trade helps create the habits of liberty that profoundly affect peoples' views of themselves and their society. With freedom comes the responsibility to account for one's own

solid. South Korea, Taiwan and Mexico are just three examples of economies that have pursued political reform while reforming their economies and expanding trade.

LEADERSHIP AND TRADE PROMOTION AUTHORITY

One key element in making progress toward that goal is rebuilding a consensus in support of opening markets. The vehicle that will enable us to do that is Trade Promotion Authority. The grant of this authority by Congress to President Bush is crucial to demonstrating to our trading partners that this nation is going to lead on free trade; that we are going to lead opening up markets around the world; and lead not only in strengthening our own economy, but lead in strengthening the global economy.

If Congress cannot or does not act to grant President Bush Trade Promotion Authority, the United States will pay a price. In fact, we are already paying a price. Since the grant of authority to negotiate trade agreements expired in 1994, America has fallen behind. As the President recently observed, "Free trade agreements are being negotiated all over the world and we're not party to them." There are more than 130 free trade agreements in the world today and the United States belongs to only two.

Consider this: A tractor made in the United States and shipped to Chile is hit with \$25,000 in tariffs and duties. A Brazilian-made tractor bound for Chile faces \$15,000 in tariffs and duties. A Canadian-built tractor shipped to Chile faces no tariffs or duties. This places American tractor manufacturers at a distinct disadvantage in a very competitive industry.

We have to get off of sidelines and back into the game. The President intends to press forward bilaterally, regionally and multilaterally to expand trade and the accompanying economic opportunities it creates for the American people. We seek to create a virtuous circle of competitive liberalization by moving forward wherever we can make progress. But we must show a united front in these efforts.

This administration welcomes the fundamental role Congress plays in setting our trade policies under the Constitution. In fact, what Trade Promotion Authority really provides is a vehicle to ensure that Congress and the President work together, cooperate and have agreed on negotiating objectives.

Our intent is to work closely with Congress, not only for the passage of TPA, but to rebuild the political consensus necessary for our negotiators to engage with their counterparts at the bargaining table. Congress is an indispensable partner in this enterprise.

To this end, securing TPA is essential to successfully implement the President's trade agenda, a bipartisan plan that will benefit all Americans. It includes, first, eliminating tariffs and other barriers that impede U.S. exports of goods, services, investment and ideas. Second, his agenda will bring a special focus to areas like agriculture that would have the most profound benefits for American exporters and for global well being. Third, it will keep electronic commerce free from trade barriers. And, very importantly, his agenda will preserve our ability to combat unfair trade practices. That means vigorously enforcing U.S. trade laws, not as an end itself, but as a means of pursuing the elimination of the unfair trade practices that limit economic opportunity. It also means ensuring that the rights of the United States under trade agreements are secure so that our farmers, workers, businesses and consumers get the benefit of the bargain that our negotiators reach at the table.

Critical considerations in any discussion of Trade Promotion Authority are labor and the environment. The most significant impact that trade can have on labor and the environment is raising standards of living, promoting greater freedom and greater social responsibility for all citizens. This will lead to improved labor and environmental standards in those nations that participate in liberalized trade agreements.

In this regard, American companies that conduct business abroad carry with them the high labor and environmental standards that we adhere to at home. According to a recent study by the Business Roundtable that looked at the activities of U.S. companies in Latin America: "They...set high environmental, health and safety standards in their Latin American operations and encourage local suppliers to adopt similar practices. Compared to employees in local companies, their

employees enjoy competitive to superior compensation, benefits and training." Another study by the Institute for International Economics found that U.S. companies pay their workers in developing countries at least two times the average manufacturing wage paid in these countries.

And, while maintaining high labor and environmental standards abroad, American exporting companies continue to create jobs and a better life for our people here at home.

FREE MEN AND FREE MARKETS

From any angle at which it is viewed, trade is ultimately about freedom. It is about American farmers, workers and small-business owners having the opportunity to succeed on their own terms. It is about opening opportunities in other nations to allow their peoples to pursue better lives for their children, grandchildren and themselves. It is about spreading the values of freedom and democracy around the world. Free men and free markets are what liberalized trade is about.

Congress must be persuaded that with a grant of Trade Promotion Authority a bond of trust, respect and certainty will be established between Capitol Hill and the White House. We all want what is best for the American people and for our friends and trading partners around the world. Together, Congress and the President can pursue what is best – freedom. ■

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FREE TRADE ECONOMICS

While analysis of the numbers makes a good economic case for free trade, a look at the people and businesses behind those numbers can make an even stronger argument. Across the country, hard-working Americans are making a good living in jobs supported by exports.

In 1989, Seattle entrepreneurs William Cotter and Gregory Davenport started a specialty business, Da Vinci Gourmet, which makes syrups that flavor coffee drinks. Five people worked there then, including Cotter, Davenport and their wives. Now, 81 people earn a good living at Da Vinci Gourmet making and selling 120 flavors of syrup to markets in 50 nations. What started as a strictly local business has grown into a successful exporter, creating jobs and rewarding lives for many people.

And in Buena Park, California, there's Miguel Chavez, who was a postman when he started a cleaning business out of his garage. Today, the family-owned enterprise has grown into a multi-million dollar specialty chemical business that sells its products in Mexico and ships to Australia. Chavez's company is one of California's nearly 40,000 exporting small businesses, providing jobs and futures for many people who might not otherwise have these opportunities.

Some companies might not actually export, but they provide goods or services necessary to companies that do export. These indirect exporters, firms like A-1 Production, Inc., located in Kendallville, Indiana, also benefit from free trade. A-1, a family-owned producer of machined parts and hydraulic fittings manufactures a crucial part for Case New Holland's (CNH) Magnum Tractor. This part, the transmission spacer, a circular piece of metal shaped like an "O," is no bigger than the palm of an adult's hand but the Magnum tractor can't run without it. In fact, it takes 200 companies working in 27 states, employing 70,000 workers to manufacture and export a tractor.

These success stories are testament to the hard work and abilities of the entrepreneurial spirit in America...and to today's increasingly borderless world.

It's also encouraging to know that the Cotters, Davenports, Armstrongs and the Chavez family are making it possible for scores of people to enjoy better lives both here at home and abroad. It's this kind of opportunity that is creating more product choices for us all, better prices and making it possible for many, many people to enjoy a better quality of life.

BENEFITS OF FREE TRADE

- If global trade barriers were cut by one-third, the world economy would increase by more than \$600 billion a year. That's equal to twice the value of rice, corn and wheat produced and consumed worldwide each year.
- Eliminating all barriers would add \$2 trillion to the global economy, which is twice the size of the Chinese economy.
- Jobs supported by international trade pay up to 13 to 18 percent more than the national average.
- Exports have accounted for almost one-quarter of U.S. economic growth during the past decade.
- U.S. companies that invest overseas employ about 19 million U.S. workers, who represent 15 percent of all private sector U.S. jobs.

WHY WE NEED TPA

- Around the world, there are more than 130 free trade agreements (FTAs). The United States is party to only two (U.S.-Israel FTA, and NAFTA with Mexico and Canada). Since 1990, the European Union has negotiated 20 free trade agreements. Mexico is party to more than 28 FTAs, most negotiated since 1990.
- About a third of total world exports are covered by European Union free trade and customs agreements, compared to only about 11 percent for U.S. free trade accords.